

Message Text

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C O N F I D E N T I A L CAIRO 5338

EXDIS

EO 11652: GDS

TAGS: USEGJC EAID OVIP (ROBINSON, CHARLES W.)

SUBJECT: ASSISTANCE TO EGYPT: IBRD/GOE DISCUSSIONS

REF: CAIRO 5167

1. ON MAY 27, IBRD REPS DUBEY AND IKRAM CALLED ON CHARGE AT THEIR REQUEST TO DISCUSS CURRENT STATUS THEIR ACTIVITIES IN EGYPT. THEY REPORTED THAT THEIR MAY 22 MEETING WITH MINFIN ABU ISMAIL HAD GONE WELL, AND THAT LATTER HAD CONDUCTED THEM TO MEETING WITH PRIMIN SALIM. WITH SOME HUMOR, THEY ALSO MENTIONED THAT THINGS WENT BETTER AFTER SALIM REALIZED THEY WERE FROM IBRD AND NOT IMF (HE HAD WANTED TO KNOW REASON FOR DELAY IN RELEASING FUNDS FROM IMG'S OIL FACILITY SINCE EGYPT HAD \$100 MILLION DEFICIT IN PETROLEUM SECTOR).

2. REPLS TOLD US THEY ARE GETTING FULL COOPERATION FROM PEOPLE IN MINISTRY OF FINANCE, BUT HAVE HAD LESS SUCCESS WITH CENTRAL BANK, WHERE IT APPEARS THAT WORD TO RENDER ASSISTANCE HAS NOT YET FILTERED DOWN TO WORKING LEVEL. THEY ARE MAKING REPRESENTATION IN VARIOUS PLACES TO CORRECT SITUATION, WHICH THEY JUDGE IS NOT SERIOUS SINCE THEY NEED ONLY CERTAIN STATISTICS THAT ARE ALREADY PREPARED. ON BASIS EFFORTS THUS FAR, THEY FEEL CURRENT PROBLEM IS MANAGEABLE AND THAT THE PROGRAM OF RECOMMENDATIONS WHICH IS BEGINNING TO TAKE SHAPE WILL NOT CAUSE MAJOR
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PROBLEMS FOR GOE. THEY DECLINED TO ELABORATE ON PROGRAM,

OTHER THAN TO SAY IT WOULD AFFECT BOTH FOREIGN EXCHANGE AND DEBT MANAGEMENT, BUT MADE IT CLEAR THAT DEVALUATION IS NOT INVOLVED AT THIS STAGE.

3. PRESENT PLAN IS TO HAVE IBRD VP BEN JENK PRESENT PROGRAM TO GOE AT PRIMIN LEVEL NEXT WEEK, FOLLOWING HIS ARRIVAL AND OPPORTUNITY TO STUDY IT. REPS ARE CONCERNED THAT THEIR DISCUSSIONS WITH INDIVIDUAL MINISTERS ON GENERAL SUBJECT MAY RESULT IN SALIM BEING GIVEN CONFLICTING VIEWS BY MINISTERS CONCERNED (FINANCE, ECONOMY, PLANNING) AS RESULT THEIR DIFFERING OPINIONS AND WHAT REPS SENSE IS CONSIDERABLE INFIGHTING GOING ON AMONG THEM. REPS WOULD LIKE TO BE ABLE TO INSURE THAT GOE CAN COORDINATE ITS POSITION BEFOREHAND, SO THAT PM AND BEN JANK WILL BE ABLE TO DISCUSS ISSUE RATIONALLY, BUT ARE AT LOSS HOW TO ARRANGE IT. CHARGE SUGGESTED THAT THEY SET UP MEETING WITH ALL THREE MINISTERS AT SAME TIME, SIMILAR TO WHAT WAS ARRANGED FOR UNDER SEC ROBINSON.

4. IN RESPONSE TO QUESTION AS TO HOW THINGS HAD GONE DURING VISIT OF UNDER SEC TO SAUDI ARABIA, CHARGE STATED THAT SAUDIS HAD LOOKED FAVORABLY ON EFFORT TO ASSIST EGYPT, BUT EXPRESSED PREFERENCE FOR BILATERAL APPROACH. THEY SHARED OUR CONVERN OVER PRESENT SITUATION, BUT ALSO FELT THAT STEPS WOULD HAVE TO BE TAKEN TO CORRECT PROBLEM AND WELCOMED GOE'S INVITATION TO IBRD TO CONSULT. CHARGE SIAD NO DECISIONS HAD BEEN REACHED AS TO SIZE OR TIMING OF AID, AND ASKED IF REPS HAD FORMULATED ESTIMATE OF FOREX SHORTFALL.

5. REPS REPLIES INDICATED THAY HAVE BEEN GIVEN EXACTLY SAME DATA AS WAS SUPPLIED TO UNDER SEC ROBINSON'S PARTY, WITH FIGURE OF LE 630 REMAINING TO BE COVERED IF BANK FACILITIES GO UP BY LE 98 MILLION AS CALLED FOR IN FOREX BUDGET; LE 728 MILLION IF BANK FACILITIES ARE HELD AT 1974 LEVELS (LE 700 MILLION).

6. COMMENT: REPS EVIDENTLY FEEL THEY ARE MAKING SOME PROGRESS IN PREPARING A PLAN THAT EGYPT WILL ACCEPT, DESIPTE DIFFICULTIES AND LACK OF COORDINATION ON PART OF GOE. THEY APPEAR FAR MORE CONFIDENT THAN SINCE LAST VISIT.
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